

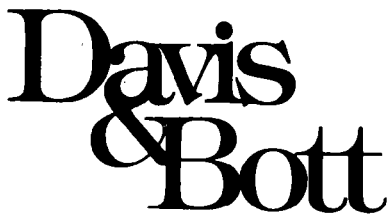
# HOWELL TOWN

## Compiled Financial Statements

June 30, 2007

**Davis  
& Bott**

Certified Public Accountants, L.C.  
547 South Main  
P.O. Box 369  
Brigham City, Utah 84302  
435-723-5224



ACCOUNTANTS' COMPILATION REPORT

Certified Public Accountants, L.C.

547 South Main  
P.O. Box 369  
Brigham City, Utah 84302  
435-723-5224

216 East Main  
Tremonton, Utah 84337  
435-257-5486

The Honorable Mayor and  
Members of the Town Council  
Howell Town  
Howell, Utah 84316

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Howell, Utah, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis, budgetary comparison information and impact fee schedule on pages 2 through 9, page 32 and page 33, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We are not independent with respect to Howell Town.

  
Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah  
September 24, 2007

Howell Town  
June 30, 2007

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## ACCOUNTANTS' COMPILATION REPORT

The Honorable Mayor and  
Members of the Town Council  
Howell Town  
Howell, Utah 84316

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We are not independent with respect to Howell Town.

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Davis & Bott  
Certified Public Accountants, L.C.

Brigham City, Utah  
September 24, 2007

**Howell Town  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

As management of Howell, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- A. The assets of the Town exceeded its liabilities at June 30, 2007, by \$409,176. Of this amount, unrestricted net assets of \$203,954 may be used to meet the Town's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$45,935 from the prior year. The increase primarily resulted from a reduction in road expenditures.
- C. As of the close of the fiscal year ended June 30, 2007, the Town's governmental funds reported an ending balance of \$140,337, an increase of \$30,732 in comparison with the prior fiscal year. The amount of \$113,058 is unreserved and available for spending.
- D. At June 30, 2007, the unreserved fund balance for the general fund was \$107,152, or 200 percent of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2007**

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, highways and streets, and culture and recreation. The business-type activities of the Town consist of culinary water.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2007**

The Town maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the governmental funds. The general fund and the capital project fund are major funds.

The Town adopts a one-year budget for its governmental funds. A budgetary comparison statement has been provided for the general fund.

**Proprietary Funds.** The Town maintains only one type of proprietary fund; namely, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water utility fund.

**Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2007, the Town's assets exceeded liabilities by \$409,176. Of the Town's net assets, 39 percent reflects its investment in capital assets net of related debt. Capital assets are used to provide services to citizens and they are not available for future spending. Of the remaining net assets, 11 percent represents reserved funds and 50 percent represents unreserved funds.

See Accountant's Report

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2007**

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Noncapital assets	\$ 160,692	\$ 138,735	\$ 100,007	\$ 77,916	\$ 260,699	\$ 216,651
Capital assets	<u>80,355</u>	<u>70,720</u>	<u>189,284</u>	<u>200,180</u>	<u>269,639</u>	<u>270,900</u>
Total assets	<u>241,047</u>	<u>209,455</u>	<u>289,291</u>	<u>278,096</u>	<u>530,338</u>	<u>487,551</u>
Other liabilities	6,029	15,579	9,967	6,782	15,996	22,361
Long-term liabilities	<u>-</u>	<u>-</u>	<u>105,166</u>	<u>112,024</u>	<u>105,166</u>	<u>112,024</u>
Total liabilities	<u>6,029</u>	<u>15,579</u>	<u>115,133</u>	<u>118,806</u>	<u>121,162</u>	<u>134,385</u>
Net assets:						
Investment in capital assets, net of related debt	80,355	70,720	77,260	81,454	157,615	152,174
Restricted	27,279	6,765	20,328	-	47,607	6,765
Unrestricted	<u>127,384</u>	<u>116,391</u>	<u>76,570</u>	<u>77,836</u>	<u>203,954</u>	<u>194,227</u>
Total net assets	<u>\$ 235,018</u>	<u>\$ 193,876</u>	<u>\$ 174,158</u>	<u>\$ 159,290</u>	<u>\$ 409,176</u>	<u>\$ 353,166</u>

The balance of unrestricted net assets of \$203,954 may be used to meet the Town's ongoing obligations to citizens and creditors.

At June 30, 2007, the Town was able to report positive net asset balances in all categories, both for the government as a whole, as well as for its governmental and business-type activities.

*See Accountant's Report*



**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2007**

**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 24,687	\$ 13,964	\$ 40,220	\$ 40,851	\$ 64,907	\$ 54,815
Operating grants and contributions	48,152	50,477	15,328	-	63,480	50,477
General revenues:						
Property taxes	2,671	2,598	-	-	2,671	2,598
Other taxes	22,868	18,931	-	-	22,868	18,931
Other	<u>6,288</u>	<u>5,463</u>	<u>1,786</u>	<u>6,677</u>	<u>8,074</u>	<u>12,140</u>
Total revenues	<u>104,666</u>	<u>91,433</u>	<u>57,334</u>	<u>47,528</u>	<u>162,000</u>	<u>138,961</u>
Expenses:						
General government	32,535	30,544	-	-	32,535	30,544
Highways and streets	19,744	25,850	-	-	19,744	25,850
Culture and recreation	7,182	11,539	-	-	7,182	11,539
Capital outlay	14,138	1,601	-	-	14,138	1,601
Water utility	<u>-</u>	<u>-</u>	<u>42,466</u>	<u>27,419</u>	<u>42,466</u>	<u>27,419</u>
Total expenses	<u>73,599</u>	<u>69,534</u>	<u>42,466</u>	<u>27,419</u>	<u>116,065</u>	<u>96,953</u>
Increase (decrease) in net assets	31,067	21,899	14,868	20,109	45,935	42,008
Net assets - beginning	193,876	171,977	159,290	139,181	353,166	311,158
Prior period adjustment	<u>10,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,075</u>	<u>-</u>
Net assets - end	<u>\$ 235,018</u>	<u>\$ 193,876</u>	<u>\$ 174,158</u>	<u>\$ 159,290</u>	<u>\$ 409,176</u>	<u>\$ 353,166</u>

**Governmental and Business-Type Activities.** Governmental activities increased the Town's net assets by \$31,067. When combined with the \$14,868 increase in net assets from business-type activities, overall net assets increased by \$45,935 or 13 percent.

See Accountant's Report

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2007**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The purpose of the Town's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund. At June 30, 2007, the unreserved fund balance of the general fund was \$107,152, which comprised 80 percent of the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved general fund balance represents 200 percent of total general fund expenditures. The fund balance of the Town's general fund increased by \$69,809 during the fiscal year ended June 30, 2007. This increase was mainly due to a transfer in from the capital projects fund and also to a decrease in Class "C" road expenditures.

The capital projects fund decreased mainly because of the transfer back to the general fund of funds not needed for future projects. The water utility fund's net assets increased by \$14,868. This was due mainly to an increase in impact fees received.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenue budgets were increased mainly due to higher than expected taxes, licenses and permits, and receipt of Class "C" road money. The highway and street budget decreased due to lower than expected construction, repairs and maintenance costs.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities at June 30, 2007, amounted to \$269,639 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, equipment, roads and similar infrastructure.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2007**

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

The total decrease in the Town's investment in capital assets for the fiscal year ended June 30, 2007, was \$1,261, an increase of 14 percent for governmental activities and a decrease of 5 percent for business-type activities.

The increase in governmental activities was due mainly to recognition of the Community Center land and building and the cemetery land acquired in prior years.

The decrease in business-type capital assets was due to depreciation.

**Capital Assets**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$78,344	\$67,369	\$189,284	\$200,180	\$267,628	\$267,549
Land	575	-	-	-	575	-
Equipment	<u>1,436</u>	<u>3,351</u>	<u>-</u>	<u>-</u>	<u>1,436</u>	<u>3,351</u>
Net capital assets	<u>\$80,355</u>	<u>\$70,720</u>	<u>\$189,284</u>	<u>\$200,180</u>	<u>\$269,639</u>	<u>\$270,900</u>

Additional information on the Town's capital assets can be found in Note 3 on pages 27 and 28 and in Note 10 on page 31 of this report.

**Long-term debt.** At June 30, 2007, the Town had \$112,024 in outstanding revenue bonds.

**Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ -	\$ -	\$ 112,024	\$ 118,726	\$ 112,024	\$ 118,726
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,024</u>	<u>\$ 118,726</u>	<u>\$ 112,024</u>	<u>\$ 118,726</u>

Total long-term debt decreased by \$6,702 for the fiscal year ended June 30, 2007.

*See Accountant's Report*

Howell Town  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Howell, Utah, will continue work on Blue Creek Drive by resurfacing the portion from the school west to the canal. East Canal Road will also be resurfaced where it joins Highway 83. In addition, the Town has received a \$75,000 grant from the Bear River Association of Governments and will be using it to build a new cistern at Hillside Springs.

*See Accountant's Report*

**Howell Town**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$144,477	\$ 95,785	\$240,262
Accounts receivable	-	4,222	4,222
Property taxes receivable	2,140	-	2,140
Sales tax receivable	4,099	-	4,099
B&C road allotment receivable	9,976	-	9,976
Capital assets, net of accumulated depreciation:			
Buildings and improvements	78,344	189,284	267,628
Land	575	-	575
Equipment	1,436	-	1,436
Total assets	<u>241,047</u>	<u>289,291</u>	<u>530,338</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	4,141	3,109	7,250
Deferred revenue	1,888	-	1,888
Current portion of long-term debt	-	6,858	6,858
Note payable	-	105,166	105,166
Total liabilities	<u>6,029</u>	<u>115,133</u>	<u>121,162</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	80,355	77,260	157,615
Restricted - Water impact fees	-	20,328	20,328
Restricted - B&C roads	27,279	-	27,279
Unrestricted	127,384	76,570	203,954
Total net assets	<u>\$235,018</u>	<u>\$174,158</u>	<u>\$409,176</u>

*See accompanying notes and Accountants' Report*

# **Howell Town** **Statement of Activities** **For the Year Ended June 30, 2007**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental activities:</b>						
General government	\$ 32,535	\$ 23,490	\$ 96	\$ -	\$ (8,949)	\$ -
Culture and recreation	7,182	1,197	-	-	(5,985)	-
Highways and streets	19,744	-	48,056	-	28,312	-
Capital outlay	14,138	-	-	-	(14,138)	-
	<u>73,599</u>	<u>24,687</u>	<u>48,152</u>	<u>-</u>	<u>(760)</u>	<u>-</u>
<b>Business-type activities:</b>						
Water utility	42,466	40,220	15,328	-	-	13,082
						<u>13,082</u>
<b>Total primary government activities</b>	<u>\$ 116,065</u>	<u>\$ 64,907</u>	<u>\$ 63,480</u>	<u>\$ -</u>	<u>(760)</u>	<u>12,322</u>
<b>General revenues:</b>						
Taxes:						
Property taxes					2,671	-
General sales and use taxes					22,868	-
Unrestricted investment earnings					6,288	1,786
					<u>31,827</u>	<u>1,786</u>
<b>Total general revenues</b>					<u>31,827</u>	<u>1,786</u>
<b>Change in net assets</b>					<u>31,067</u>	<u>14,868</u>
<b>Net assets - beginning</b>					<u>193,876</u>	<u>159,290</u>
<b>Prior period adjustment</b>					<u>10,075</u>	<u>-</u>
<b>Net assets - ending</b>					<u>\$ 235,018</u>	<u>\$ 174,158</u>
						<u>\$ 409,176</u>

See accompanying notes and Accountants' Report

**Howell Town**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 138,571	\$ 5,906	\$ 144,477
Receivables (net)			
Property tax	2,140	-	2,140
Sales tax	4,099	-	4,099
B&C road fund	9,976	-	9,976
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 154,786</u>	<u>\$ 5,906</u>	<u>\$ 160,692</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 4,141	\$ -	\$ 4,141
Deferred revenue	16,214	-	16,214
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>20,355</u>	<u>-</u>	<u>20,355</u>
<b>Fund balances:</b>			
Reserved for:			
B&C roads	27,279	-	27,279
Unreserved	107,152	5,906	113,058
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>134,431</u>	<u>5,906</u>	<u>140,337</u>
Total liabilities and fund balances	<u>\$ 154,786</u>	<u>\$ 5,906</u>	<u>\$ 160,692</u>

*See accompanying notes and Accountants' Report*

Howell Town  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2007

Total fund balances - governmental fund types	\$ 140,337
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	80,355
Revenues not considered available are deferred in the funds. These include \$4,099 in sales and use tax, \$251 in property tax and \$9,976 allocation in B&C road fund.	<u>14,326</u>
Net assets of government activities	<u>\$ 235,018</u>

See accompanying notes and Accountants' Report



**Howell Town**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2007**

	General Fund	Capital Projects	Total
Revenues:			
Taxes	\$ 25,171	\$ -	\$ 25,171
Licenses and permits	6,125	-	6,125
Interest earnings	4,828	1,460	6,288
Intergovernmental	47,745	-	47,745
Charges for services	16,835	-	16,835
Miscellaneous earnings	1,727	-	1,727
Total revenues	<u>102,431</u>	<u>1,460</u>	<u>103,891</u>
Expenditures:			
Current:			
General government	31,081	-	31,081
Culture and recreation	6,578	-	6,578
Highways and streets	16,007	-	16,007
Capital outlay	-	19,493	19,493
Total expenditures	<u>53,666</u>	<u>19,493</u>	<u>73,159</u>
Excess (deficiency) of revenues over expenditures	48,765	(18,033)	30,732
Other financing sources (uses):			
Transfers in	21,044	-	21,044
Transfers out	<u>-</u>	<u>(21,044)</u>	<u>(21,044)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>69,809</u>	<u>(39,077)</u>	<u>30,732</u>
Fund balances - beginning	<u>64,622</u>	<u>44,983</u>	<u>109,605</u>
Fund balances - ending	<u>\$ 134,431</u>	<u>\$ 5,906</u>	<u>\$ 140,337</u>

*See accompanying notes and Accountants' Report*

Howell Town  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
To the Statement of Activities  
June 30, 2007

Amounts reported for governmental  
activities in the statement of  
activities are different because:

Net changes in fund balances - total governmental funds	\$ 30,732
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(441)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>776</u>
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Change in net assets of governmental activities	<u>\$ 31,067</u>
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*See accompanying notes and Accountants' Report*

Howell Town  
Statement of Net Assets - Proprietary Fund  
June 30, 2007

	<u>Enterprise Fund</u> <u>Water Utility</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 95,785
Receivables, net	<u>4,222</u>
Total current assets	100,007
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>189,284</u>
Total assets	<u>289,291</u>
LIABILITIES	
Current liabilities:	
Accounts payable	3,109
Current portion of long-term debt	<u>6,858</u>
Total current liabilities	9,967
Noncurrent liabilities:	
Notes payable	<u>105,166</u>
Total liabilities	<u>115,133</u>
NET ASSETS	
Invested in capital assets, net of related debt	77,260
Restricted - impact fees	20,328
Unrestricted	<u>76,570</u>
Total net assets	<u>\$ 174,158</u>

See accompanying notes and Accountants' Report

**Howell Town**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Assets - Propriety Fund**  
**For the Year Ended June 30, 2007**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Operating revenues:	
Charges for services	\$ 36,960
Connection fees	3,000
Other operating revenue	260
Total operating revenues	<u>40,220</u>
Operating expenses:	
Operating expenses	7,619
Wages and benefits	3,289
Materials and supplies	7,445
Utilities	2,452
Depreciation	10,895
Professional Services	2,454
Miscellaneous	5,546
Total operating expenses	<u>39,700</u>
Operating income	<u>520</u>
Nonoperating revenues (expense):	
Investment earnings	2,094
Interest expense	(2,766)
Impact fees	15,020
Total nonoperating revenues (expenses)	<u>14,348</u>
Change in net assets	14,868
Total net assets - beginning	<u>159,290</u>
Total net assets - ending	<u>\$ 174,158</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended June 30, 2007**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Cash flows from operating activities:	
Receipts from customers	\$ 38,283
Payments to suppliers	(22,487)
Payments to employees	<u>(3,289)</u>
Net cash provided by operating activities	<u>12,507</u>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(6,702)
Interest paid on long-term debt	(2,766)
Impact fees	<u>15,020</u>
Net cash provided by (used in) capital and related financing activities	<u>5,552</u>
Cash flows from investing activities:	
Interest earnings	<u>2,094</u>
Net increase in cash and cash equivalents	20,153
Cash and cash equivalents - beginning	<u>75,632</u>
Cash and cash equivalents - end	<u>\$ 95,785</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Statement of Cash Flows - Proprietary Fund (Continued)**  
**For the Year Ended June 30, 2007**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 520
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	10,895
Change in assets and liabilities:	
Receivables, net	(1,937)
Accounts and other payables	<u>3,029</u>
Net cash provided by operating activities	<u>\$ 12,507</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 2,766</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The government of Howell, Utah, is governed by an elected mayor and four council members. As required by generally accepted accounting principles, these financial statements present the financial condition of the government. Howell Town is not a component unit of any other entity, nor does it have any component units for which the government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

*See Accountant's Report*

Howell Town  
Notes to Financial Statements (Continued)  
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statement, rather than reported as an expenditure.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected by year end. Expenditures are recorded when the related fund liability is incurred.

See Accountant's Report



Howell Town  
Notes to Financial Statements (Continued)  
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **capital projects fund** was established during fiscal year 2006 to fund major Town projects.

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town has only one proprietary fund, the water utility fund, which delivers culinary water to citizens of the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

See Accountant's Report

Howell Town  
Notes to Financial Statements (Continued)  
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity

i. *Cash and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently the only investing is done with the State Treasurer's Investment Pool and a money market account.

ii. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds," if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

iii. *Capital Assets*

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems and lighting systems placed in service prior to June 30, 2003, have not been capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets.

See Accountant's Report

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

It is the Town's policy to capitalize all fixed asset purchases over \$1,000.

Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings and improvements	10 - 50 years
Equipment	3 - 10 years

**E. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budget and Budgetary Accounting**

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns.

**NOTE 2. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the deposit of the Town's funds in a qualified depository.

*See Accountants' Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, none of the Town's bank balances of \$107,118 were uninsured and uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities.

These statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

*See Accountants' Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the types of authorized investments.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees - of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2007, the Town had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
State of Utah Public Treasurer's Investment Fund	<u>\$133,117</u>	<u>\$133,117</u>			

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

*See Accountants' Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 2. DEPOSITS AND INVESTMENTS (Continued)**

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At June 30, 2007, the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	<u>\$133,117</u>				<u>\$133,117</u>

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable.

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2007:

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 3. CAPITAL ASSETS**

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 575	\$ -	\$ 575
Capital assets being depreciated:				
Buildings and improvements	68,987	25,355	-	94,342
Equipment	<u>24,548</u>	<u>-</u>	<u>-</u>	<u>24,548</u>
Totals at historical cost	<u>93,535</u>	<u>25,930</u>	<u>-</u>	<u>119,465</u>
Less accumulated depreciation:				
Buildings and improvements	1,618	14,380	-	15,998
Equipment	<u>21,197</u>	<u>1,915</u>	<u>-</u>	<u>23,112</u>
Total accumulated depreciation	<u>22,815</u>	<u>16,295</u>	<u>-</u>	<u>39,110</u>
Governmental activities capital assets - net	<u>\$ 70,720</u>	<u>\$ 9,635</u>	<u>\$ -</u>	<u>\$ 80,355</u>

**Business-Type Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Building and improvements	\$ 435,818	\$ -	\$ -	\$ 435,818
Less accumulated depreciation:				
Buildings and improvements	<u>235,638</u>	<u>10,896</u>	<u>-</u>	<u>246,534</u>
Business-type activities capital assets - net	<u>\$ 200,180</u>	<u>\$ (10,896)</u>	<u>\$ -</u>	<u>\$ 189,284</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$1,455
Culture and recreation	604
Highways and streets	<u>3,737</u>
Total depreciation expense - governmental activities	<u>\$ 5,796</u>

See Note 10 on page 31 for information on a prior period adjustment which affected capital assets.

See Accountants' Report

Howell Town  
Notes to Financial Statements (Continued)  
June 30, 2007

NOTE 4. LONG-TERM DEBT

A. Proprietary Fund

*Note payable*

Long-term debt at June 30, 2007, consisted of the following revenue bond, which is secured by the water utility revenues:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
State of Utah, Division of Finance, \$150,000 due in annual installments of \$9,468 including interest at 2.33 percent.	\$ 118,726	\$ -	\$ 6,702	\$ 112,024	\$ 6,858

B. Debt Service Requirements

The debt service requirements, including interest and principal, for the proprietary fund's long-term debt at June 30, 2007, were as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	6,858	2,610	9,468
2009	7,018	2,450	9,468
2010	7,181	2,287	9,468
2011	7,349	2,119	9,468
2012	7,520	1,948	9,468
2013-2017	40,311	7,030	47,341
2018-2021	35,787	2,109	37,896
	<u>\$ 112,024</u>	<u>\$ 20,553</u>	<u>\$ 132,577</u>

See Accountants' Report



**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 5. RESTRICTED FUND BALANCE**

The fund balance has been restricted for the following purposes:

Restricted for B&C roads - money received from the State of Utah road fund allotment to be used for future maintenance of the Town's road network.

Restricted for water impact fees - impact fees and earned interest to be spent on improvements to the water system specified in the initial impact fee study and enactment.

**NOTE 6. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

**NOTE 7. RISK MANAGEMENT**

Howell Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through Utah Local Government Trust. Injuries to employees are insured through Utah Local Government Trust. Settled claims have not exceeded the Town's insurance. For insured programs, there have been no significant reductions in insurance coverage.

**NOTE 8. RELATED PARTIES**

During the year ending June 30, 2007, two Town council members subcontracted with the Town to perform work for the Town. One council member hauled gravel and performed other routine maintenance work for streets and highways, and received \$8,607 for his services. The other owns a backhoe which was used for work on the water system. He received \$4,341 for services rendered.

*See Accountant's Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

**NOTE 9. INTERFUND TRANSFERS**

The Town transferred \$21,044 from the capital projects fund to the general fund. In the prior year, the Town transferred \$67,000 from the general fund to the capital projects fund to pay for planned improvements. At June 30, 2007, the balance of \$21,044 remained and the Town decided to transfer the funds back to the general fund.

**NOTE 10. PRIOR PERIOD ADJUSTMENT**

In a prior period, the Town acquired the Community Center and the land for the cemetery through noncash transactions. Because of the nature of the transactions, these acquisitions were overlooked and the assets were never reported on the financial statements. The \$10,075 prior period adjustment represents recognition of the Community Center building, net of accumulated depreciation; the land for the Community Center; and the land for the cemetery.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Howell Town**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 21,000	\$ 25,180	\$ 25,171	\$ (9)
Licenses and permits	3,872	6,125	6,125	-
Charges for service	17,160	16,760	16,835	75
Interest earnings	4,600	4,650	4,828	178
Intergovernmental	43,985	47,695	47,745	50
Miscellaneous	<u>1,144</u>	<u>1,730</u>	<u>1,727</u>	<u>(3)</u>
Total revenues	<u>91,761</u>	<u>102,140</u>	<u>102,431</u>	<u>291</u>
Expenditures:				
General government	32,910	33,260	31,081	2,179
Culture and recreation	9,222	9,080	6,578	2,502
Highways and streets	<u>22,400</u>	<u>18,000</u>	<u>16,007</u>	<u>1,993</u>
Total expenditures	<u>64,532</u>	<u>60,340</u>	<u>53,666</u>	<u>6,674</u>
Excess (deficiency) of revenues over expenditures	27,229	41,800	48,765	(6,965)
Other financing sources (uses):				
Transfers in (out)	<u>(15,000)</u>	<u>-</u>	<u>21,044</u>	<u>(21,044)</u>
Excess of revenues and other sources over expenditures and other uses	12,229	41,800	69,809	(28,009)
Fund balance - beginning	<u>64,622</u>	<u>64,622</u>	<u>64,622</u>	<u>-</u>
Fund balance - ending	<u>\$ 76,851</u>	<u>\$106,422</u>	<u>\$134,431</u>	<u>\$ (28,009)</u>

*See Accountants' Report*

**Howell Town  
Impact Fee Worksheet  
For the Year Ended June 30, 2007**

Impact fees balance at December 31, 2005:	\$ <u>2,860</u>
Total impact fees	<u>2,860</u>
Transactions during fiscal year ended December 31, 2006:	
Impact fees received	25,740
Interest earned	554
Qualifying expenditures	<u>-</u>
Ending balance at December 31, 2006	<u>\$ 29,154</u>

The Town plans to use the impact fees to pay for needed upgrades to the existing water system.